



P.O. Box 942709  
Sacramento, CA 94229-2709  
**888 CalPERS** (or **888-225-7377**)  
Telecommunications Device for the Deaf  
No Voice (916) 795-3240  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Date: January 3, 2008  
Reference No.:  
Circular Letter No.: 200-002-08  
Distribution: I, V, VI, XVI, XIX  
Special:

# **Circular Letter**

**TO: AGRICULTURAL DISTRICTS, PUBLIC AGENCIES, INDIVIDUAL SCHOOL DISTRICTS, AND EMPLOYEE REPRESENTATIVES**

**SUBJECT: EXPANSION OF ELIGIBILITY TO JOIN THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) FUND**

**ATTENTION: FINANCE DIRECTORS, HUMAN RESOURCE DIRECTORS, PUBLIC AGENCY AND SCHOOL DECISION MAKERS**

A new law, which took effect on January 1, 2008, allows all California government agencies to elect to participate in the California Employers' Retiree Benefits Trust (CERBT). The CERBT is a trust fund that allows public employers to pre-fund the future cost of their retiree health insurance benefits and other post-employment benefits (OPEB) for their covered employees or retirees.

In addition to health insurance, other post-employment benefits can include employer paid dental, vision, hearing, and other health-related benefits; employer paid life, disability, and long-term care insurance.

Employers that elect to participate in the CERBT make contributions into the trust fund. In the future, participating employers will use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust. Three out of four dollars paid for pension benefits come from pension trust investment earnings.

The employer determines the amount of the contribution. Pre-funding OPEB obligations produces important benefits:

- Investment returns from trust fund investments will be used to pay for future benefits, thereby lowering future employer costs
- The higher investment return rate, expected to be earned by trust assets used to pre-fund OPEB obligations, will lower the employer's reported annual expense and the net OPEB obligation
- Lower unfunded liability may result in a higher bond rating
- The financial security of employees and retirees is improved


To participate in the CERBT, employers must take the following steps:

- Obtain an actuarial valuation prepared in accordance with CalPERS guidelines,
- Have the agency's governing body adopt the CERBT participation agreement,
- Submit a signed agreement, actuarial valuation report, certification that the actuarial valuation satisfies CalPERS requirements, and a summary of actuarial information on a diskette or CD to CalPERS for approval and
- Submit a "Delegation of Authority to Request Disbursement" form.

The CERBT is a tax qualified trust organized under Internal Revenue Code (IRC) Section 115. Participation in the trust is limited to those agencies who qualify as "government" entities under that IRC section.

The CERBT is an irrevocable trust established to pre-fund OPEB, as described in Government Accounting Standard 45.

For detailed information and the necessary forms, please visit the *California Employers' Retiree Benefit Trust* page on the CalPERS Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov) and select *GASB 45 and California Employers' Retiree Benefit Trust Fund*. If you have any questions, please call the Employer Contact Center toll free at **888 CalPERS** (or 888-225-7377).



Kenneth W. Marzion  
Assistant Executive Officer  
Actuarial and Employer Services